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"Between Detroit and Moscow": A Left Liberal "Third Way" in the Third Reich

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THE nature and intentions of Nazi economic policy are once again being hotly contested, although on a new set of terms.[1] No longer is the German bourgeoisie's complicity in the Nazi "seizure of power" or the capitalist underpinnings of Hitler's subsequent aggressions at the center of the discussion.[2] Rather, recent scholarship has chosen to grapple more carefully with the dynamic interplay between economics, race, and social policy in the Third Reich.[3] As David Schoenbaum contended forty years ago, the Third Reich's apotheosization of "national community [*Volksgemeinschaft*]" led to an array of welfare programs, educational reforms, and "meritocratic" values that may in

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[1] "Selbst fünfzig Jahre nach dem Ende des 'Dritten Reiches' stellt das Verhältnis zwischen Wirtschaft und Nationalsozialismus ein ebenso intensive bearbeitetes wie umstrittenes Feld der Forschung dar." Joachim Scholtyseck, *Robert Bosch und der liberale Widerstand gegen Hitler 1933 bis 1945* (Munich: Beck, 1999), 9; also see Götz Aly, *Hitler's Beneficiaries: Plunder, Racial War, and the Nazi Welfare State* (London: Metropolitan, 2007); Wolfgang Schivelbusch, *Entfernte Verwandtschaft: Faschismus, Nationalsozialismus, New Deal. 1933–1939* (Munich: Carl Hanser, 2005); Thomas Kuczynski, "Die Legende vom nationalen Sozialismus," in *Sozial Geschichte* 20, no. 3 (2005): 77–85; Hans Mommsen, "Die sozialpolitisch bestochenen Volksgenossen. Wie konnte es geschehen? Heute erscheint Götz Alys Buch über 'Hitlers Volksstaat'—Eine neue Deutung des Dritten Reiches," *Süddeutsche Zeitung*, March 10, 2005; Johannes Bähr, "Die Legende von der 'Wohlfühldiktatur.' Zu Götz Alys Deutung von Wirtschaft und Lebensstandard im 'Dritten Reich,'" *Sehepunkte* 5, no. 7/8 (July 15, 2005); Hans-Ulrich Wehler, "Engstirniger Materialismus," *Der Spiegel* 14/2005 (April 4, 2005): 50–54.

[2] Franz Neumann, *Behemoth. Struktur und Praxis des Nationalsozialismus, 1933–1944* (Frankfurt am Main: Fischer, 1988); David Abraham, *The Collapse of the Weimar Republic: Political Economy and Crisis* (New York: Holmes & Meier Publishers, 1986); Jürgen Kuczynski, *Die Geschichte der Lage der Arbeiter in Deutschland von 1880 bis in die Gegenwart* (Berlin: Verlag die Freie Gewerkschaft, 1947); Peter Hayes, *Industry and Ideology, IG Farben in the Nazi Era* (New York: Cambridge University Press, 1987), 381–382; also see Henry Ashby Turner, Jr., *German Big Business and the Rise of Hitler* (New York: Oxford University Press, 1987).

[3] Alf Lüdtke, "Workers and the Limits of Resistance," in *The Third Reich: The Essential Readings*, ed. Christian Leitz (Oxford: Blackwell, 1999), 155–177; Avraham Barkai, *Nazi Economics: Ideology, Theory, and Policy* (New Haven, CT: Yale University Press, 1990), 9–18, 244–248.

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fact have produced a modern "social revolution."[4] To be sure, a number of subsequent studies have highlighted longer-term continuities, suggesting that the Nazi *Sozialstaat* was indebted in some part to the legacy of the Weimar Republic and in other respects presaged the social policies of the Federal Republic of Germany (FRG).[5] Historians likewise continue to debate the relative improvement in living standards experienced by the average German under Hitler. Virtually all scholars agree, however, that, regardless of its efficacy, the underpinnings of Nazi social policy are to be located in the Third Reich's drive to construct a racial utopia at home while securing popular support for wars of conquest abroad.[6]

There is no question that *völkisch* ideology profoundly influenced the direction of German domestic and foreign policy after 1933. A certain teleology nonetheless persists in the tendency to view political economy in the Third Reich as exclusively the function of an *illiberal* obsession with building a racially superior *Volkskörper* on the one hand and a politically acquiescent Volksgemeinschaft on the other.[7] On the contrary, many aspects of Nazi social and economic policy

[4]David Schoenbaum, *Hitler's Social Revolution: Class and Status in Nazi Germany* (New York: Anchor Books, 1967); On the "racial state," see Michael Burleigh and Wolfgang Wippermann, *The Racial State: Germany 1933–1945* (New York: Cambridge University Press, 1991).

[5]David Meskill, *Optimizing the German Work Force: Labor Administration from Bismarck to the Economic Miracle* (New York: Berghahn, 2010); Johannes Bähr and Ralf Banken, eds., *Wirtschaftssteuerung durch Recht im Nationalsozialismus* (Frankfurt: Klostermann, 2006), 7; Mark Roseman, "National Socialism and Modernisation," in *Fascist Italy and Nazi Germany: Comparisons and Contrasts*, ed. Richard Bessel (Cambridge: Cambridge University Press, 1996), 197–226. See also, for example, Timothy S. Mason, "Women in Nazi Germany, 1925–1940: Family, Welfare, and Work," and "The Containment of the Working Classes in Germany," in Timothy S. Mason, *Nazism, Fascism, and the Working Class*, ed. Jane Caplan (Cambridge and New York: Cambridge University Press, 1995), 131–211, 231–273; Detlev Peukert, *Inside the Third Reich* (New Haven, CT: Yale University Press, 1987); Edward Ross Dickinson, *The Politics of German Child Welfare from the Empire to the Federal Republic* (Cambridge, MA: Harvard University Press, 1996); Young-Sun Hong, *Welfare, Modernity, and the Weimar State, 1919–1933* (Princeton, NJ: Princeton University Press, 1998); David F. Crew, *Germans on Welfare: From Weimar to Hitler* (New York: Oxford University Press, 1998); Kevin Repp, *Reformers, Critics, and the Paths of German Modernity: Anti-Politics and the Search for Alternatives, 1890–1914* (Cambridge, MA: Harvard University Press, 2000); Michael Burleigh, *The Third Reich: A New History* (New York: Hill & Wang, 2000); Schivelbusch, *Entfernte Verwandschaft*; Götz Aly, *Hitlers Volksstaat. Raub, Rassenkrieg, und Nationalsozialismus* (Frankfurt: Fischer, 2005).

[6]See Mark Mazower, *Hitler's Empire: Nazi Rule in Occupied Europe* (London: Allen Lane, 2008); Richard Evans, *The Third Reich at War* (New York: Penguin, 2009); Mark Spoerer, Review of Göty Aly's *Hitlers Volksstaat. Raub, Rassenkrieg und nationaler Sozialismus*, http://hsozkult.geschichte.hu-berlin.de/rezensionen/2005-2-143; Adam Tooze, "Economics, Ideology, and Cohesion in the Third Reich: A Critique of Göty Aly's *Hitlers Volksstaat*," http://www.hist.cam.ac.uk/academic_staff/further_details/tooze-aly.pdf; Adam Tooze, *Wages of Destruction: The Making and Breaking of the Nazi Economy* (London: Allen Lane, 2006); Detlev Peukert, *Inside Nazi Germany: Conformity, Opposition, and Racism in Everyday Life* (New Haven, CT: Yale University Press, 1989); Aly, *Hitlers Volksstaat*; Schivelbusch, *Entfernte Verwandtschaft*; Michael Prinz and Rainer Zitelmann, *Nationalsozialismus und Modernisierung* (Darmstadt: Wissenschaftliche Buchgesellschaft, 1991).

[7]Tooze, *Wages of Destruction*; Peukert, *Inside Nazi Germany;* Aly, *Hitlers Volksstaat*; Prinz and Zitelmann, *Nationalsozialismus und Modernisierung*; Schoenbaum, *Revolution*; Ralf Dahrendorf,

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prior to World War II, including an alternating mix of capitalism and welfarism, of corporatism and competition, echo the progressive traditions of German left liberalism.[8] At least in economic matters, many Nazi leaders tended to rely upon liberal businessmen, politicians, and intellectuals, from the industrial magnate Robert Bosch and two-term Reichsbank President Hjalmar Schacht to the architect of the Federal Republic's "social market economy," Ludwig Erhard, in "a process whereby the party's own vague ideology was given new precision and purpose by the reforming energies the regime was able to absorb and attract."[9] Indeed, the twin goals of "*Volksgemeinschaft* and *Leistungsgemeinschaft*," observes Mark Roseman, "were sufficiently vague to accommodate energetic middle-class groups who sought to achieve a more efficient and egalitarian social order."[10] This cooperation between Weimar liberals and National Socialists, it is important to add, was no mere capitulation to fascism, but represented the culmination of longer-term "national-social" trends within bourgeois liberal politics after 1890.[11]

A number of monographic studies have noted the sociological—and more recently the ideological—affinities between liberal and Nazi voters. As early as the September 1930 elections, the Nazi movement began to mirror the Protestant middle-class constituencies that had traditionally voted for Germany's two major liberal parties, from farmers and small-town shopkeepers to bourgeois entrepreneurs, intellectuals, and urban professionals.[12] Little

Society and Democracy in Germany (New York and London: Norton, 1967); Rainer Zitelmann, *Hitler. Selbstverständnis eines Revolutionärs* (Hamburg and New York: Berg, 1987); Michael Schneider, "Nationalsozialistische Durchdringung von Staat, Wirtschaft und Gesellschaft. Zur Sozialgeschichte des 'Dritten Reichs,'" *Archiv für Sozialgeschichte* 31 (1993): 514–517. See also Michael Prinz, *Vom neuen Mittelstand zum Volksgenossen* (Munich: R. Oldenbourg, 1986); Rüdiger Hachtmann, *Untersuchungen zu den Lohn- und Arbeitsbedingungen in Deutschland, 1933–1945* (Göttingen: Vandenhoeck & Ruprecht, 1989).

[8]For more on the concept of "liberal" corporatism, see Charles S. Maier, *Recasting Bourgeois Europe: Stabilization in France, Germany, and Italy in the Decade After the First World War* (Princeton, NJ: Princeton University Press, 1975), 580–594; Gerhard Lehmbruch, "Consociational Democracy, Class Conflict, and the New Corporatism," in *Trends toward Corporatist Intermediation*, ed. Philippe C. Schmitter and Gerhard Lehmbruch (London: Sage, 1979), 53–61.

[9]Roseman, "National Socialism," 212; also see Bähr and Banken, eds., *Wirtschaftssteuerung*, 12–14.

[10]Roseman, "National Socialism," 212.

[11]See, among others, Eric Kurlander, *The Price of Exclusion: Ethnicity, National Identity, and the Decline of German Liberalism, 1898–1933* (New York: Berghahn, 2006); Eric Kurlander, *Living With Hitler: Liberal Democrats in the Third Reich* (New Haven, CT, and London: Yale University Press, 2009); Geoff Eley, *Reshaping the German Right* (Ann Arbor, MI: University of Michigan Press, 1991), 89–97, 160–185; Oded Heilbronner, *"Freiheit, Gleichheit, Brüderlichkeit und Dynamik." Populäre Kultur, populärer Liberalismus und Bürgertum im ländlichen Süddeutschland 1850 bis 1930* (Munich: Martin Meidenbauer Verlag, 2007); Rudolf Heberle, *From Democracy to Nazism: A Regional Case Study on Political Parties in Germany* (New York: Howard Fertig, 1970).

[12]Kurlander, *Price of Exclusion*; Jürgen Falter, *Hitler's Wähler* (Munich: C. H. Beck, 1991); Karl Rohe, *Elections, Parties, and Political Traditions: Social Foundations of German Parties and Party Systems 1867–1987* (New York: Berg Publisher Ltd., 1990); Thomas Childers, *The Nazi Voter: The Social Foundations of Fascism in Germany, 1919–1933* (Chapel Hill, NC: University of North Carolina

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wonder that the Nationalsozialistische Deutsche Arbeiterpartei (NSDAP) faced many of the same social and economic contradictions—between export-oriented industry and protectionist small businessmen; between *Besitzbürgertum* and *Mittelstand*—that helped to undermine German liberalism in the preceding decade.[13] Conventional wisdom suggests that the Nazis were able to deal with these contradictions better than their liberal predecessors due to a unique combination of radical integrative nationalism and violent repression.[14] But perhaps the Nazis succeeded where the liberals failed because the Third Reich came closer to uniting the multifarious elements of Friedrich Naumann's antebellum National Social movement.[15] While Naumann supported large-scale collective bargaining and interventionist state welfare, such as universal health care and unemployment insurance, his movement differentiated itself from the proletarian left through its "liberal" belief in individualist, "market-conforming (along lines later articulated by the 'Ordoliberal' Alexander Rüstow)" "self-help [*Selbsthilfe*]" embodied by job-training and placement agencies. Naumann welded together these three elements of progressive liberalism through a nationalist vision of sociobiological solidarity (Volksgemeinschaft*)* and imperialist drive for resources that might help to foster political consensus at home.[16]

Naumann's liberal imperialist vision of Germany's mission in central Europe (*Mitteleuropa)* was not dissimilar from the Third Reich's later pursuit of "living space" in the east. According to Naumann, Germany would fulfill its geopolitical destiny by unifying central Europe through economic might, superior civilization, and political will, more closely incorporating—if not necessarily

Press, 1983); Richard Hamilton, *Who Voted For Hitler?* (Princeton, NJ: Princeton University Press, 1982).

[13]"It is possible, perhaps even likely, that the National Socialists would eventually have had to confront the same centrifugal pressures which had fragmented every previous effort to unify the Protestant middle strata … the fact remains that the liberal constitutency proved to be especially susceptible to Nazism after 1930." James J. Sheehan, *German Liberalism in the Nineteenth Century* (Chicago: University of Chicago Press, 1978), 283.

[14]See Schoenbaum, *Revolution*; Peukert, *Inside the Third Reich*; Evans, *The Third Reich at War*; Burleigh, *Third Reich*.

[15]See Kurlander, *Living With Hitler*, 7–24, 114–151.

[16]See again, Kurlander, *Price of Exclusion*, 35–41, 77–115; Eley, *Reshaping the German Right*, 89–97, 172–173; Meskill, *Workforce*, 47; Geoff Eley, "Social Imperialism in Germany: Reformist Synthesis or Reactionary Sleight of Hand," in *Imperialismus im 20. Jahrhundert. Gedenkschrift für George W. F. Hallgarten*, ed. Joachim Radkau and Imanuel Geiss (Munich: Beck, 1976), 71–86; and the following chapters in Rüdiger von Bruch, ed., *Friedrich Naumann in seiner Zeit* (Berlin and New York: de Guyter, 2000), 11–26, 115–166: Jochen-Christoph Kaiser, "Naumann und die Innere Mission"; Ursula Krey, "Der Naumann-Kreis. Charisma und politische Emanzipation"; Traugott Jahnichen, "Neudeutsche Kultur- und Wirtschaftspolitik. Friedrich Naumann und der Versuch einer Neukonzeptualisierung des Liberalismus im Wilhelminischen Deutschland." See also Peter Theiner, *Sozialer Liberalismus und deutscher Weltpolitik. Friedrich Naumann in Wilhelminischen Deutschland (1860–1919)* (Baden-Baden: Nomos, 1983); Dieter Düding, *Der Nationalsoziale Verein, 1896–1903. Der gescheiterte Versuch einer parteipolitischen Synthese von Nationalismus, Sozialismus und Liberalismus* (Munich: R. Oldenbourg, 1972).

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annexing—the territory of Slavic minorities along the way.[17] By Naumann's own admission Mitteleuropa could only be the "the fruit of war." And like Hitler's "Greater German Reich [*Großdeutsches Reich*]," inclusive of all ethnic Germans, it privileged German hegemony in continental Europe over the traditionally imperialist "world policy [*Weltpolitik*]" prevailing in most conservative nationalist and Pan-German circles. Rather than challenge British rule at sea or focus on acquiring colonies in Africa and Asia, Germany would extend her influence in central and eastern Europe, uniting all Germans in one state, displacing the multi-ethnic Russian and Austro-Hungarian Empires, and superseding France as Europe's greatest continental power.[18]

Despite the geopolitical parallels between Mitteleuropa and a Großdeutsches Reich, Naumann's imperialist program was quintessentially liberal in many respects. Like Friedrich Ratzel's concept of "living space" that was later (mis)appropriated by the Nazis, Naumann's Mitteleuropa was premised less on massive racial resettlement and ethnic cleansing than a typically liberal drive to secure economic markets and ensure German national self-determination.[19] Anyone who wished to create a functional Mitteleuropa, Naumann asserted, must incorporate Jews and Slavs as viable, equal, "state-supporting [*staatsbildend*]" members.[20] In fact Naumann's Mitteleuropa was often taken up by

[17]Jürgen Froelich, "Friedrich Naumanns 'Mitteleuropa.' Ein Buch, seine Umstände und seine Folgen," in *Naumann*, ed. Bruch, 245–268; Steffen Höhne, "Mitteleuropa. Zur konzeptuellen Karriere eines kulturpolitischen Begriffs," in *Bohemia* 41 (2000): 279–294. Naumann was not the first liberal to propose a German-led Central European Union; liberal revolutionaries put forward the idea in the 1840s, while the future DDP Foreign Minister Walther Rathenau gave it concrete shape in the early months of World War I. Harry Graf Kessler, *Walther Rathenau. Sein Leben und Sein Werk* (Berlin: Hermann Klemm, 1928), 185–187; Henry Cord Meyer, *Mitteleuropa in German Thought and Action, 1815–1945* (The Hague: Nijhoff, 1955), 18–95, 139–140, 194–217.

[18]Friedrich Naumann, *Mitteleuropa* (Berlin: G. Reimer, 1915), 6–32; Cord Meyer, *Mitteleuropa*, 194–205. For more on the (liberal) pre-1933 genesis of Nazi conceptions of empire, see Shelley Baranowski, *Nazi Empire: German Colonialism and Imperialism from Bismarck to Hitler* (Cambridge: Cambridge University Press, 2010); Mazower, *Hitler's Empire*; Wendy Lower, *Nazi Empire-Building and the Holocaust in the Ukraine* (Chapel Hill, NJ: University of North Carolina Press, 2007); Richard King and Dan Stone, eds., *Hannah Arendt and the Uses of History: Imperialism, Nation, Race, and Genocide* (New York: Berghahn, 2007); A. Dirk Moses and Dan Stone, eds., *Colonialism and Genocide* (London: Routledge, 2007); Aly, *Hitler's Beneficiaries*; Birthe Kundrus, ed., *Phantasiereich. Zur Kulturgeschichte des deutschen Kolonialismus* (Frankfurt: Campus Verlag, 2003); Jürgen Zimmerer and Joachim Zeller, eds., *Völkermord in Deutsch-Südwestafrika. Der Kolonialkrieg (1904–1908) in Namibia und seine Folgen* (Berlin: Christoph Links Verlag, 2003).

[19]Woodruff Smith, *The Ideological Origins of Nazi Imperialism* (Oxford: Oxford University Press, 1989), 224–233.

[20]Naumann's book contained extensive criticism of the Wilhelmine Reich's intolerant policies toward minorities in Alsace and Denmark, where "many things have occurred of which we should be ashamed." In the largely Polish regions of eastern Prussia, meanwhile, the government had employed "force … and desires equanimity in return," but this policy could never hope to win over "the soul of the Polish people." In order for Mitteleuropa to succeed, Naumann concluded, "there will have to be a significant revision of all such methods, a dissociation from forced Germanization … the administration will have to be flexible in matters that can be allowed without

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Wilhelmine Progressives as a counterpoise to the radically racist and annexationist demands of the Pan-Germans.[21]

Still, like the contemporary American concept of "manifest destiny," which Hitler greatly admired, Mitteleuropa was infinitely malleable and equally susceptible to appropriation by völkisch nationalists.[22] Given a more favorable outcome to the war, many Germans would have been satisfied with the kind of liberal, multilateral, primarily economic union Naumann proposed. The war did not turn out well, however, and the Versailles Treaty caused even many liberal democrats to fall back on a more chauvinist and irredentist vision of Mitteleuropa, a "Greater Germany [*Groß* or *Gesamtdeutschland*]" that sought the (re)incorporation of Europe's ethnic Germans with little regard for their Slavic or Baltic neighbors. This vision bore more than a surface resemblance to the imperialist economic and foreign policy conceptions of the NSDAP.[23]

That left liberals invoked Naumann's "National-Social" views with increasing frequency over the course of the Weimar Republic is no coincidence. The economic interventions and social leveling of the war years, punctuated by the November 1918 revolution and Versailles Treaty, had pushed the entire German political spectrum to the left on social questions and to the nationalist right on foreign policy issues. Nowhere was this new "national-social" paradigm more apparent than the Hugo Stinnes-Carl Legien Pact, in which big business conceded numerous demands to labor. Meanwhile, former Naumannites in the resurgent German Democratic Party (DDP) saw this as an opportunity to open left liberalism to the working classes. Although rudely interrupted by hyperinflation, this brief period of relative stability yielded four years of liberal consensus, characterized by a functional if tenuous corporatist arrangment between capital and labor.[24]

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endangering the state! A friendlier attitude toward national minorities is necessary everywhere in central Europe … Sober, perceptible liberalism must become apparent across linguistic borders! This must be if we wish to avoid bleeding to death in nationality conflicts." Naumann, *Mitteleuropa*, 1–18, 58–133, 229–262; Cord Meyer, *Mitteleuropa*, 200–214, 329–331. See also Froelich, "'Mitteleuropa,'" 252–259; Jens Boysen, "Hesitant Hegemon: Germany and EU Enlargement," *Central Europe Review* 2, no. 189 (May 2000); August Weber, *Erinnerungen* (unpublished), in BAK: KLE 384, 64–65.

[21]Cord Meyer, *Mitteleuropa*, 84–95, 220–236, 278–295; Paul Rohrbach, ed., *Chauvinismus und Weltkrieg* (Berlin: Engelmann, 1919).

[22]Cord Meyer, *Mitteleuropa*, 291–345; Froelich, "'Mitteleuropa,'" 253; Heinrich Kessler, *Wilhelm Stapel. Als Politischer Publizist* (Nuremberg: Lorenz Spindler, 1967), 15; Adam Tooze, *Ökonomie der Zerstörung. Die Geschichte der Wirtschaft im Nationalsozialismus* (Munich: Sieder, 2007), 14–16. See also Reginald Horsman, *Race and Manifest Destiny: The Origins of American Racial Anglo-Saxonism* (Cambridge, MA: Harvard University Press, 1981).

[23]Cord Meyer, *Mitteleuropa*; Kurlander, *Price of Exclusion*, 187–196, 238–244; Kurlander, *Living With Hitler*, 114–146.

[24]Gerald Feldman, *The Great Disorder* (Oxford: Oxford University Press, 1997), 131–198, 211–250, 302, 754–821; Bruce Frye, *Liberal Democrats in the Weimar Republic: The History of the German Democratic*

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Neither the Weimar Sozialstaat nor this tentative liberal consensus would survive the Great Depression. Well funded, better organized, and more politically connected than their left-leaning counterparts, laissez-faire liberals such as Schacht, Hermann Dietrich, and Hermann Höpker-Aschoff initially saw Germany's salvation in a regime of economic austerity, one that rejected the corporatist *Ausgleich* mentioned above. At the same time, a powerful coterie of social liberals, led by Bosch, Anton Erkelenz, and Gertrud Bäumer, advocated a more progressive course between free-market capitalism on the one hand and a socialist planned economy on the other.[25] As is well documented, Chancellor Heinrich Bruening and his Minister of Finance, the Democrat Dietrich, pursued the former, deflationary course, starving German industry of capital, exacerbating unemployment, and deepening the recession.[26]

But by late 1930, even Dietrich was beginning to recognize the inadequacy of these policies. Within two years, Weimar Democrats on the right as well as left would begin to coalesce around a National Social(ist) "New Deal" "anticipated by Naumann's circle already before the First World War as a kind of 'third way' alternative to liberal-capitalist as well as Marxist-socialist designs."[27] That is, while the NSDAP moved to the right in terms of political economy after 1930, becoming friendlier to middle-class business interests, the laissez-faire wing of German liberalism moved to the Naumannite left, appearing to develop an economically interventionist, socially progressive consensus within the incipient Third Reich. Hence the period between the onset of the Great Depression and the apex of Hjalmar Schacht's influence as Finance Minister in 1936 might be characterized as one of growing convergence, not only between laissez-faire and progressive liberals, but between German liberalism and National Socialism as well.

We should not mistake these social and economic affinities between German left liberalism and National Socialism after 1930 for totalitarian tendencies within the liberal bourgeosie.[28] The relationship between liberalism and Nazism, as I try

Party and the German State Party (Carbondale, IL: Southern Illinois University Press, 1985), 88–101; Maier, *Recasting*, 350–355.

[25]Sheehan, *Liberalism*, 267–279; Kurlander, *Price of Exclusion*, 260–288.

[26]See Theo Balderston, *Economics and Politics in the Weimar Republic* (Cambridge: Cambridge University Press, 2002), 88–97.

[27]Ibid. As Dietrich conceded in November 1930, "the era of [classical] liberalism is behind us." Dieter Fricke, *Die bürgerlichen Parteien in Deutschland*, vol. I (Leipzig: Bibliographisches Institut, 1968), 326; Volker Depkat, *Lebenswenden und Zeitenwenden. Deutsche Politiker und die Erfahrungen des 20. Jahrhunderts* (Munich: Oldenbourg, 2007), 182.

[28]On the *Sonderweg* interpretation of German liberalism, see Dahrendorf, *Society and Democracy in Germany*; Friedrich Sell, *Die Tragödie des Deutschen Liberalismus* (Baden-Baden: Nomas, 1981); Karl-Georg Faber, "Strukturprobleme des deutschen Liberalismus im 19. Jahrhundert," *Der Staat*, no. 14 (1975): 201–227; Leonard Krieger, *The German Idea of Freedom* (Chicago: University of Chicago Press, 1972); Wolfgang J. Mommsen, "Liberalismus und liberale Idee in Geschichte und Gegenwart," in *Möglichkeiten und Grenzen liberaler Politik*, ed. Kurt Sontheimer (Düsseldorf: Droste,

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to make clear below, was dynamic, reflecting periods of political convergence and divergence. As illiberal economic interventions and war mongering accelerated in the late 1930s, so did German liberals' skepticism toward, in the words of Gertrud Bäumer, a "National Socialism without individual freedom . . . propaganda instead of honesty—in truth the diabolical perversion of that which Naumann strove for as a political and social goal."[29] Despite their growing distrust of National Socialism after 1936, however, the liberals never abandoned their efforts to develop a "third way" in the Third Reich, efforts that eventually bore fruit in the "social market economy" of the postwar Federal Republic.

Left Liberal Political Economy Before 1933

As early as the *Kaiserreich*, the left liberal Progressive People's Party (FVP) possessed distinct "left" and "right" wings. The left wing, which drew generously on Friedrich Naumann's earlier National-Social Association, supported higher taxation and government spending, desired a worker-friendly social policy (unemployment insurance, disability insurance, collective bargaining, strong unions, etc.), was positively inclined toward women's rights, and believed the state should take an active role in financing health care and education. What differentiated National-Social liberals most starkly from moderate Social Democrats was the former's belief in the merits of economic competition, a dedication to building a classless Volksgemeinschaft, and an unabashed liberal imperialism. This liberal "left wing" included leading Wilhelmine intellectuals, publicists, and social reformers such as Naumann himself, Max and Alfred Weber, Gertrud Bäumer, Paul Rohrbach, Theodor Heuss, Wilhelm Heile, and Anton Erkelenz.[30] The more laissez-faire "right wing" of left liberalism included anti-imperialist free traders such as Georg Gothein and Theodor Tantzen as well as pro-business nationalists such as Otto Fischbeck and Julius Kopsch. In

1975), 11–45. Regarding the inevitably "fascist" outcomes of left-leaning, interventionist liberalism, see Friedrich von Hayek, *The Road to Serfdom* (London: Routledge, 1944); or, more recently, Jonah Goldberg, *Liberal Fascism: The Secret History of the American Left, from Mussolini to the Politics of Meaning* (New York: Doubleday, 2008); David Ciepley, *Liberalism in the Shadow of Totalitarianism* (Cambridge, MA: Harvard University Press, 2006).

[29]See Bäumer's diary, Dec. 17, 1946, in NL Bäumer, BAK: N 1076, #1.

[30]For a detailed look at the evolution of these two wings, see Wolther von Kieseritzky, *Liberalismus und Sozialstaat. Liberal Politik in Deutschland zwischen Machtstaat und Arbeiterbewegung (1878–1893)* (Cologne: Böhlau, 2002). See also Sheehan, *Liberalism*, 246–283; Theodor Heuss, *Friedrich Naumann. Der Mann, das Werk, die Zeit* (Munich: Siebenstern Taschenbuch Verlag, 1968), 31–35, 126–127, 144–145; Frye, *Democrats*, 6–20, 45–55, 88–104; Kurlander, *Price of Exclusion*, 34–54. See also Sell, *Tragödie*, 286–298, 361–362; Dieter Langewiesche, *Liberalism in Germany* (Princeton, NJ: Princeton University Press, 2000), 7–11; Repp, *Reformers*, 104–138, 300–312; Wolfgang Mommsen, "Wandlungen der liberalen Idee im Zeitalter des Liberalismus," and Lothar Gall, "'Sündenfall' des liberalen Denkens oder Krise der bürgerlichen-liberalen Bewegung?," in *Liberalismus und imperialistischer Staat*, ed. Karl Holl and Günther List (Göttingen: Vandenhoeck & Ruprecht, 1975), 109–148.

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December 1918 this "right-wing" was strengthened when a number of laissez-faire National Liberals, including the above-mentioned Schacht, Höpker-Aschoff, and Dietrich, merged with the FVP to form the German Democratic Party (DDP).[31]

Always a point of contention, these disparities between economically interventionist and free-market liberals on the one hand, ethnic nationalist (völkisch) and cosmopolitan ("universalist") DDP on the other, became increasingly divisive after 1919.[32] As a governing party in coalition with the SPD, left liberals were no longer able to elide such differences in more or less unanimous opposition to conservative Imperial government. They were also confronted with successive social and economic crises—from hyperinflation to mass unemployment—that called into question the very premises of liberal capitalism. Faced with these unprecedented challenges and desperate not to alienate their bourgeois constituency, the DDP vacillated between left and right, eventually losing support to both sides of the political spectrum.

Emblematic of the diverse social and economic perspectives that characterized the left liberal ranks in the early years of the republic is the fact that two of the Democratic Party's cofounders, the Reichsbank President Hjalmar Schacht and the Weimar Vice Chancellor, Finance and Justice Minister Eugen Schiffer, withdrew in the mid-1920s because they could no longer tolerate the DDP's ostensible drift to the left in matters of political economy. Meanwhile social progressives such as Anton Erkelenz and Hans Robinsohn simultaneously attacked the DDP's center-right coalition with the conservative DNVP, abandoning the party in the wake of the Great Depression because of its failure to work constructively with the SPD to preserve the Weimar welfare state.[33]

In addition to these deep-seated socioeconomic discrepancies, the DDP was increasingly divided between ethnic nationalist (völkisch) and universalist worldviews.[34] As I have argued elsewhere, this ideological disparity in regard to "national" and foreign policy questions did not necessarily conform to traditional left-right socioeconomic differences. Many former Naumannites believed in progressive social policies as well as ethnic nationalism, imperialism, and

[31]See Larry E. Jones, *German Liberalism and the Dissolution of the Weimar Party System, 1918–1933* (Chapel Hill, NC: University of North Carolina Press, 1988), 12–40; Lothar Albertin, *Liberalismus und Demokratie am Anfang der Weimarer Republik* (Düsseldorf: Droste, 1972), 64–67, 143–145, 321–323; Frye, *Democrats*, 48–57, 101–117; Lothar Albertin, "Das Friedensthema bei den Linksliberalen vor 1914. Die Schwäche ihrer Argumente und Aktivitäten," in *Liberalismus und imperialistischer Staat*, ed. Holl and List, 89–108; Jürgen C. Hess, *"Das ganze Deutschland soll es sein." Demokratischer Nationalismus in der Weimarer Republik am Beispiel der Deutschen Demokratischen Partei* (Stuttgart: Klett-Cotta, 1978), 317–369.

[32]Jones, *Liberalism*, 50–67, 151–164, 246–304.

[33]Frye, *Democrats*, 180–194.

[34]Monika Faßbender, "Zum Briefwechsel zwischen Anton Erkelenz und Gertrud Bäumer, 1933," in Birgit Bublies-Goday, Monika Faßbender et al., *Jahrbuch zur Liberalismus-Forschung*, vol. 2 (Baden-Baden: Nomos, 1990), 150–156.

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anti-Semitism. Some of these "national-social" liberals had drifted into the German Nationalist People's Party and eventually the Nazi camp before 1933. Conversely, some "right-wing," laissez-faire liberals, especially Jewish liberals such as Eugen Schiffer and Robert Friedberg, gravitated to the universalist left after the war in defense of civil rights and the liberal *Rechtsstaat*.[35]

These ideological complexities help to explain the Democratic Party's merger with the völkisch-social paramilitary group known as the Young Germans (*Jungdeutschland* or *Jungdo*) to form the German State Party (DStP) in 1930. While "national-social" liberals such as Bäumer, Alfred Weber, and Ernst Lemmer defended the DDP-Jungdo merger, more universalist (and often Jewish) democrats such as Hans Robinsohn, Ludwig Bergstraesser, and Erich Lüth abandoned the DStP for the republican or socialist left. Telling in this regard is the fact that some economically "conservative," laissez-faire liberals such as Gothein and Tantzen refused to join the "right-wing" State Party because of its underlying nationalism and anti-Semitism. In the meantime, laissez-faire democrats such as Dietrich and Höpker-Aschoff supported the alliance with the anti-plutocratic Young Germans precisely because they wanted to open Weimar liberalism to the nationalist right.[36]

Thus, insofar as the DStP represented a move to the "left" in socioeconomic questions, its foreign policy platform and views on anti-Semitism suggest a shift to the nationalist right.[37] Or as the historian Rudolf Heberle observes, "Within the ideology of the progressive Liberals one can discern certain attitudes and sentiments which later on facilitated the conversion of broad masses of middle class elements to National Socialism: There was a combination of anti-capitalistic, anti-plutocratic sentiments . . . with an attitude of social solidarity that favored progressive labor legislation or *Sozialpolitik*."[38] Indeed, despite the long-standing political antipathies between left liberal and Nazi camps, exacerbated by the fact that they appealed to the same bourgeois Protestant constituencies, the two movements' convergence in "national-social" terms is undeniable.[39]

[35]See Kurlander, *Price of Exclusion*, 187–277.

[36]Fricke, *Die bürgerlichen Parteien*, 326; Kurlander, *Price of Exclusion*, 251–260; Frye, *Democrats*, 88–104, 131–132, 164–194; Lothar Albertin and Konstanze Wegener, eds., *Linksliberalismus in der Weimarer Republik. Die Führungsgremien der Deutschen Demokratischen Partei und der Deutschen Staatspartei 1918–1933* (Düsseldorf: Droste, 1980), 576–591.

[37]Werner Huber, *Gertrud Bäumer, eine politische Biographie* (Ausgburg: Dissertationsdruch [*sic*] W. Blasaditsch, 1970), 371–376; Albertin and Wegener, eds., *Linksliberalismus*, 464–471; Frye, *Democrats*, 88–101, 157–169; Jürgen Froelich, "'He served the German people well.' Der politische Weg Hermann Dietrichs vom badischen Nationalliberalen zum baden-württembergischen Freidemokraten," *Zeitschrift für die Geschichte des Oberrheins* 153 (2005): 633–634; Werner Stephan, *Aufstieg und Verfall des deutschen Linksliberalismus* (Göttingen: Vandenhoeck & Ruprecht, 1973), 483.

[38]Heberle, *From Democracy to Nazism*, 28–29.

[39]As Hitler put it in a campaign speech from September 1930, "They say, what attracts the masses? The national idea! And then they say, From now on, we will also push these national ideas somewhat more into the foreground . . . Or they say, it is perhaps the opposition to the modern democratic

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Recognizing both the dangers and opportunities for liberalism inherent in these national and social affinities, the DDP member Wilhelm Wilms wrote a colleague shortly after Hitler's appointment as Reich chancellor, "It is a great error if it is widely believed that liberalism has fulfilled its task . . . The struggle of National Socialism against liberalism, *whose achievements they made good use of in the election campaign and in all of public life*, shows how little great segments of the population have understood the essence of liberalism [emphasis added]." For, "free market liberalism, as it has existed until now, can no longer be tolerated. We must succeed in creating a new economic doctrine applicable to all that corresponds to community spirit. . . . the idea must be accepted that economics is not only a private matter but a matter of the people, indeed, that it serves people's necessities in the first place and profit motives in the second. And that seeking profit may not come into conflict with popular morality. Today only *social* liberalism can persist in the economic realm."[40] The electoral victory of National Socialism, Wilms suggests, confirmed the obsolescence of classically liberal, laissez-faire doctrines. But Naumannite social liberalism was still a viable alternative to Hitler's National Socialism.

Like many erstwhile National Social colleagues, Wilms disagreed with the "right wing" of the Democratic Party. Former Democratic ministers such as Schacht, Höpker-Aschoff, and Dietrich had sacrificed social welfare and unemployment benefits on the altar of fiscal austerity, one of the chief reasons that the Nazis had attracted so many former liberal voters. If the German people preferred national-social(ist) policies, Wilms concluded, why couldn't the DDP reclaim their own legacy?[41] Many of Wilms's colleagues likewise believed that the Nazis had undercut the DDP electorally in great part by appropriating and repackaging the party's own Naumannite legacy.[42] If this realization caused some resignation in DDP circles, it also galvanized many left liberals to approach the Third Reich as an opportunity, a chance to resolve the paralyzing conflicts between capital and labor that undermined the Weimar Republic.

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system! And if it is necessary, quintessential old Democrats go forth and declare, that is the old party, those are the old names, and then a state party arrives—that is, the Democratic Party—that is responsible for Germany's entire misfortune and has become so obsolete as a party that it no longer dares to carry its name; it goes out and says, people, get rid of the old party; German people, the old parties have failed; give your voice to the State Party." Quoted in the *Schleswiger Nachrichten*, Sept. 23, 1930; Faßbender, "Briefwechsel," 150–152. See Baümer speech, March 14, 1931, in BAK: R 45 III 49, 48; Theodor Heuss, *Hitlers Weg. Eine Schrift aus dem Jahre 1932* (Stuttgart: Union deutscher Verlagsgesellschaft, 1932); Heuss, *Friedrich Naumann*, 529.

[40]Wilms to Dingeldey, April 24, 1933, in NL Dingeldey, BAK: N 1002, #98.

[41]See Peter Theiner, "Introduction," in Theiner, *Sozialer Liberalismus*; Frye, *Democrats*, 100–104, 114–117.

[42]See Baümer in DStP minutes, March 14, 1931, in BAK: R 45 III 49, 48; Kurlander, *Price of Exclusion*, 213–217; Depkat, *Lebenswenden und Zeitenwenden*, 182–186; Theiner, *Sozialer Liberalismus*, 9–10.

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Hjalmar Schacht's "New Plan": From Laissez-Faire to Keynesianism

Prior to 1933, few DDP members embodied the traditions of free-market liberalism better than Hjalmar Schacht. Born in Tingleff, Schleswig-Holstein, Schacht studied political economy in Berlin, Munich, Kiel, Paris, and London. He worked as a young man in various economic organizations before becoming a centrist National Liberal before World War I and a "right-wing" DDP member thereafter. As a former National Liberal, Schacht had always been skeptical of the progressive left's penchant for economic intervention and social experimentation. He had no interest in nationalizing industry, as some left-wing Democrats demanded, and felt that guaranteeing additional rights to trade unions would only encourage economic stalemate. Leaving the DDP in 1926, Schacht resigned his position at the Reichsbank in 1930 after the Weimar coalition of Socialists, Liberals, and Catholics accepted the American "Young Plan," which helped to restructure but nonetheless reaffirmed German reparation payments. Henceforth Schacht aligned himself with an amalgam of traditional conservative (DNVP) and radical right-wing (NSDAP) forces that opposed all sanctions resulting from the Versailles Treaty. In 1933 Schacht was rewarded for his support when Hitler reappointed him Reichsbank president. In August 1934 he added the Economics Ministry to his portfolio.[43]

Initially Schacht opposed extensive regulation or deficit financing as an antidote to unemployment and recession, as he had during the Weimar Republic. But his profound desire to reinvigorate German industry, not to mention a growing admiration for Roosevelt's New Deal, caused Schacht to modify his laissez-faire views. In September 1934, shortly after taking over the Economics Ministry, Schacht announced his New Plan. A concerted attempt to jump-start the German economy by stimulating public consumption, the New Plan favored exports and restricted imports, while strictly managing the allocation of foreign exchange to control the deficit and facilitate rearmament. It also commissioned an ambitious number of public works to reduce unemployment and used ingenious financial measures, such as *Mefo* bills—credit notes issued by the German government in the name of a fictitious holding company, *Metallurgische Forschung*—to pay

[43]Albert Fischer, "The Minister of Economics and the Expulsion of the Jews from the German Economy," in *Probing the Depths of German Antisemitism: German Society and the Persecution of the Jews, 1933–1941*, ed. David Bankier (New York: Berghahn Books, 2000), 213–225; Albert Fischer, *Hjalmar Schacht und Deutschlands "Judenfrage." Der "Wirtschaftsdiktator" und die Vertreibung der Juden aus der deutschen Wirtschaft* (Cologne: Böhlau, 1995); Tooze, *Ökonomie*, 329–330; Richard J. Evans, *The Third Reich in Power, 1933–1939* (New York: Penguin Press, 2005), 383–394; John Weitz, *Hitler's Banker* (New York: Little Brown, 1997); "Artikel von Stolper über Schacht für Encyc. Brittanica," June 27, 1945, in NL Stolper, BAK: N 1186, #29; Hjalmar Schacht, *Abrechnung mit Hitler* (Westport, CT: Greenwood Press, 1956), 1–17.

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industrialists without expending hard currency or issuing government debt.[44] Possessing near dictatorial control of German economic policy, Schacht was not averse to using reactionary measures eschewed by Roosevelt but favored by Hitler. Because he saw the high cost of labor as one the main hurdles preventing Germany's recovery, Schacht turned back the clock on some of Weimar's friendlier labor policies. His bilateral clearing agreements assuring Germany raw materials for bargain prices also made virtual satellites out of Bulgaria, Hungary, and Romania.[45] Schacht's tenure as finance minister was nevertheless characterized by steady economic growth, millions of new jobs, and rising wages, buttressed by an increasingly generous array of social programs.[46]

At first many Democrats resented Schacht's betrayal of his free-market principles, which they saw as the only way to resuscitate world trade.[47] In a series of articles in the liberal *Frankfurter Zeitung*, Theodor Tantzen attacked the Third Reich's protectionist agricultural policies, which, by preventing cheap imports of animal feed, would deeply retard the future of German stockbreeding.[48] Meanwhile the former Weimar Treasury Secretary Georg Gothein and his colleague Joseph Williger wondered how a brilliant liberal economist such as Schacht could possibly take direction from a megalomaniacal, "socialist" crackpot such as Hitler, and mocked the government's investment in unnecessary building projects and the costly worker incentive program, Strength Through Joy: "The worker embarks with strength through joy in the Mediterranean [*Mittelmeer*] and the employer has neither strength nor joy nor any more means [*noch Mittel mehr*]." According to Williger, Schacht's attempt to create jobs and stimulate demand through debt financing was unwise, because the inevitable increase in taxes would "rob" the German middle classes of their already precious capital.[49]

For some time, a number of liberals also worried that Hitler's seizure of power would lead to the nationalization of industry. As Gothein wrote in February 1933, the NSDAP, "as the name already suggests, is an expressly socialist party. Indeed, it proclaims to struggle against Marxism as its most important task. But

[44]Weitz, *Hitler's Banker*, 186–88; Evans, *The Third Reich in Power*, 355–356; Schivelbusch, *Entfernte Verwandtschaft*, 95–102, 146–169; Alonzo L. Hamby, *For the Survival of Democracy: Franklin Roosevelt and the World Crisis of the 1930s* (New York: Free Press, 2004).

[45]Larry Neal, "The Economics and Finance of Bilateral Clearing Agreements: Germany, 1934–8," *The Economic History Review*, New Series 32, no. 3 (Aug. 1979): 391–404; William S. Grenzebach, Jr., *Germany's Informal Empire in East-Central Europe: German Economic Policy toward Yugoslavia and Romania, 1933–1939* (Stuttgart: Steiner Verlag, 1988).

[46]Dan P. Silverman, "Fantasy and Reality in Nazi Work-Creation Programs, 1933–1936," *The Journal of Modern History* 65, no. 1 (March 1993): 113–151.

[47]Volker Hentschel, *Ludwig Erhard. Ein Politikerleben* (Munich: Olzog, 1996), 19–21. See also Williger to Gothein, April 16, 1935, and May 17, 1935, in NL Gothein, BAK: N 1006, #34.

[48]Martina Neumann, *Theodor Tantzen. Ein widerspenstiger Liberaler gegen den Nationalsozialismus* (Hannover: Verlag Hahnsche Buchhandlung, 1998), 156–162.

[49]Williger to Gothein, Jan. 6, 1936; Feb. 25, 1936; March 14, 1936; May 17, 1935; Sept. 8, 1937; in NL Gothein, BAK: N 1006, #34.

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the programmatic demands of its theoreticians are in all economic and social questions purely socialist." Like the KPD, the Nazis had called for "eliminating the currency, nationalizing banking and large industries, expropriation of all income above 12,000 RM, and increasing social expenditures to a financially insupportable level." The "socialist" NSDAP and conservative DNVP coalition might "exhaust itself in complaining about the earlier system," but they had little else in common. It was only a matter of time before the Nazis created a "coalition with other parties that share their socialist wishful thinking, which was openly hostile to business."[50] Gothein criticized in particular the excessive deficit financing of capital projects, currency manipulations, and high protective tariffs that characterized Schacht's New Plan.[51] In 1934 the former Democratic Finance Minister Höpker-Aschoff agreed, writing in Naumann's old left liberal journal, *Die Hilfe*, that Schacht's interventionist policies and unwillingness to reduce government spending would lead not to economic recovery, but to a bankrupt, totalitarian state.[52]

Yet this skeptical attitude on the part of laissez-faire liberals slowly began to change as the German economy rebounded in the mid-1930s. In 1936 Höpker-Aschoff publicly shifted course, praising Schacht for being the first European Finance Minister to understand and apply successfully the principles expounded in Keynes' recently published *General Theory of Employment, Interest, and Money*.[53] Soon other prominent laissez-faire Democrats began to defend Schacht's New Plan against Hitler and Göring's push for economic autarky and accelerated rearmament, embodied in the so-called Four-Year Plan.[54] By 1937 even Gothein admitted that he was impressed by Schacht's inventive response to changing economic circumstances. Despite the announcement of Göring's Four-Year Plan, Gothein held out hope that Schacht would prevail; when he and Williger heard in September 1937 that Goebbels's underling Walther Funk had replaced Schacht as Reich Economics Minister, they expressed outrage and disappointment.[55]

[50]See Gothein articles from 1933, primarily in the *Vossische Zeitung*, "Aussichtslose Sanierungspläne," "Hebt die allgemeine Kaufkraft," "Die brennende Not des Hausbesitzes," "Sorgen eines Steuerzahlers," in NL Gothein, BAK: N 1006, #64.

[51]See Gothein article, "Das Weltproblem des 20. Jahrhunderts" [1934], criticizing the Keynesian approach of Roosevelt, MacDonald/Baldwin, and Hitler, NL Gothein, N 1006, #68a.

[52]See Hermann Höpker-Aschoff, "Totaler Staat und Rechtstaat," Jan. 6, 1934, published in Theodor Heuss, Gertrud Bäumer, Walter Goetz, eds., *Die Hilfe*™, NL Höpker-Aschoff, BAK: 1129, #9.

[53]See MS [1936] in NL Höpker-Aschoff, BAK: N 1129, #3. This argument that the Nazis were "Keynesians before Keynes" has been echoed by historians, although none attributes this Keynesianism to the influence, indirect or otherwise, of German liberals. Roseman, "National Socialism," 210.

[54]Schacht to Gothein, May 3, 1935, in NL Gothein, BAK: N 1006, #29.

[55]Williger to Gothein, Sept. 21, 1937, and Sept. 24, 1937, in NL Gothein, BAK: N 1006, #34; Wittig to Dingeldey, Sept. 1, 1937, Dingeldey, NL Dingeldey, BAK: 1002, #95.

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Left-wing social liberals were equally ardent in their support for Schacht. Wilhelm Heile, who represented the "Naumannite" left wing of the DDP and who had criticized Schacht as editor of *Die Hilfe*, came out in support of the New Plan and even applied to work under Schacht in the Reich Economics Ministry in 1936.[56] As a young, progressive Democrat in the early 1920s, Hans Robinsohn never liked Schacht's prominence in the Democratic Party and was relieved when he abandoned the DDP in 1926. Robinsohn nonetheless observed in 1937 that the Reichsbank president was the last truly "civilian" minister and was duly impressed that Schacht had forced Hitler's hand by refusing to support Göring's Four-Year Plan on sound liberal grounds. Without Schacht's leadership there would be no one to apply the brakes on the "Caesaristic madness for new construction," while "the army will get any toy it desires—without a critical thought about the cost."[57]

To be sure, since he was acquitted at the Nuremberg trials, historians have rightly questioned Schacht's assertion that he always tried "to prevent the worst excesses of Hitler's policies."[58] At least as far as his liberal contemporaries were concerned, however, Schacht tempered Hitler's imperialist drive toward autarky with what might be called a socially liberal, moderately interventionist economic program.[59] Indeed, according to Robinsohn, it was "conservatives" such as Göring and Blomberg who convinced Hitler that Schacht was wasting resources on private consumption and social outlays that might be better used to accelerate full-scale rearmament. Hitler nevertheless remained impressed enough by Schacht's financial acumen (and sufficiently worried about bourgeois public opinion) to keep him on as Reichsbank president until early 1939 and as Minister without Portfolio until 1943.[60]

When Hitler did finally dismiss Schacht from the Reichsbank, he blamed it less on Schacht's liberal economic policies and more on his liberal political predilections, which constituted an even greater liability in an increasingly totalitarian Third Reich. "You simply do not conform to the general National Socialist framework," the *Führer* complained, and "you have refused to allow your civil servants to be evaluated by the party." Hitler was particularly frustrated by the fact that Schacht continued to employ left-wing Weimar Democrats such as Heile in the Finance Ministry.[61] No sooner had Hitler deprived liberals of

[56]Heile to Schacht, March 1, 1937, in NL Heile, BAK: N 1132, #1.

[57]See Hans Robinsohn report on "Schacht crisis" [1937] in Horst R. Sassin, *Liberale im Widerstand. Die Robinsohn-Strassmann Gruppe 1934–1942* (Hamburg: Christians, 1993), 295–297.

[58]Schacht, *Abrechnung mit Hitler*, 1–11; Fischer, "The Minister of Economics," 225.

[59]Sassin, *Liberale im Widerstand*, 136–137.

[60]Hjalmar Schacht, *Confessions of "The Old Wizard": The Autobiography of Hjalmar Horace Greeley Schacht* (Westport, CT: Greenwood Press, 1956), 318–336. See Hans Robinsohn report [1937] in Sassin, *Liberale im Widerstand*, 296–297.

[61]Ludwig Luckemeyer, *Wilhelm Heile 1881–1981. Föderativer liberaler Rebell in DDP und FDP und erster liberaler Vorkämpfer Europas in Deutschland* (Wiesbaden: Korbach, 1981), 111–112.

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their chief advocate, Robinsohn noted, than one could begin to discern a palpable "strengthening of the political opposition." Only weeks later, Reinhard Heydrich's Security Service (SD) made similar observations.[62] Whether Schacht could have done more to resist the Third Reich is open to question. But in the limited realm of economic policy, there is little doubt that he helped to formulate a left liberal consensus whose legacy would outlive the Third Reich.

Robert Bosch, Josef Winschuh, and "Social Capitalism"

A successful scientist and entrepeneur, Robert Bosch was chairman of one the largest chemical and engineering companies in the world. He was also a Naumannite social liberal whose workers enjoyed high wages, a strong union, and one of the most generous private insurance programs in Europe. Like his Swabian friend and party colleague, the future president of the Federal Republic, Theodor Heuss, Bosch possessed a radical democratic streak that ran directly counter to Hitler's authoritarian policies.[63] Nevertheless, like many progressive liberals who came of age in the Kaiserreich, Bosch initially feared "agrarian conservatism . . . as a greater danger than National Socialism."[64] Bosch's firm likewise benefited from the Third Reich's investment in infrastructure and armaments, which led to a significant increase in demand for motorized vehicles. In spring 1934 Bosch wrote optimistically, "If years are coming in which the economy blooms, then everything will turn out all right."[65] Consequently, the success of German economic recovery, not to mention Hitler's early foreign policy successes, presented Bosch "with a dialectical situation, which combined indecision and inner resistance in a strange fashion and gave the impression to others that his fundamental liberal convictions" had begun to dissipate.[66]

Yet Bosch's early political concessions to National Socialism were neither abject nor uncritical. Bosch was not blind to the coercive aspects of Hitler's domestic policy, which replaced the Socialist and left liberal trade unions with Robert Ley's much more docile German Worker's Front (DAF). He was especially frustrated by the DAF's attempts to undermine his firm's own generous health and unemployment insurance (*Boschhilfe*), wage, and worker education policies with

[62]See Wittig to Dingeldey, Sept. 1, 1937; Dingeldey to Wittig, Nov. 3, 1937, in NL Dingeldey, BAK: N 1002, #95; Robinsohn report [1939] in Sassin, *Liberale im Widerstand*, 308; Schacht, *Abrechnung mit Hitler*, 12–17. See SD Quarterly Report (1939), vol. 1, 44–45, in BAB: R 58, #717.

[63]Winter to Dingeldey, April 9, 1933, in NL Dingeldey, BAK: N 1002, #98; Scholtyseck, *Bosch*, 47–61, 546–553.

[64]Scholtyseck, *Bosch*, 121–131; Eberhard Demm, ed., *Weber. Politische Theorie und Tagespolitik (1903–1933)* (Marburg: Metropolis, 1999), 13; Gertrud Bäumer, "Der Sinn der Wohlfahrtspflege und die Frauenarbeit," *Die Frau* 42, no. 6 (March 1935); Gertrud Bäumer, "Nächstenliebe und Fernstenliebe. Gedanken zum Winterhilfswerk," *Die Frau* (December 1938).

[65]Scholtyseck, *Bosch*, 132–135.

[66]Ibid., 162.

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rival Nazi welfare programs (*Volkswohlfahrt*). As a liberal, Bosch was certainly wary of Nazi encroachments on political freedom, exemplified in his continued financial support for numerous liberal newspapers, to the great frustration of the regime.[67] In this particular case, however, Bosch was largely motivated by a pragmatic desire to preserve his firm's organizational autonomy and retain his highly skilled workforce. Once it became clear that Schacht and even Göring had little sympathy for Ley's attempts to undermine entrepreneurial autonomy, Bosch's initial criticisms of Nazi economic interventions subsided.[68]

In fact, Bosch applauded the Third Reich's apparently successful corporatist arrangement between capital and labor, and truly believed the workers were better off under the Third Reich than they had been in the Weimar Republic. Initially fearful of an "economy autarchized to death," he was reassured by Schacht's efforts to rein in inflation and reintegrate Germany into the world market. As a capitalist entrepeneur, he was furthermore impressed by the Third Reich's ability to alleviate the divisive class conflicts that appeared insoluble only a few years earlier. By virtually guaranteeing full employment, rising wages, and a social safety net, Bosch argued, the Third Reich ensured labor productivity and therefore long-term economic growth.[69] This emerging Nazi program of "social capitalism" may have lacked the explicit guarantee of individual freedom that informed Naumannite liberalism, but by the mid-1930s it did seem to serve the interests of both industry and labor better than the Weimar Republic.[70]

It is only after the announcement of Göring's Four-Year Plan in September 1936 that Bosch began to accept the argument of the conservative economist and anti-Nazi resistance leader Carl Goerdeler—whom Bosch hired as a financial advisor in 1937—that the Third Reich envisioned "war not only as last resort, but as a goal" in itself. The resulting transition toward economic autarchy and the decision to favor capital over consumer goods, Bosch agreed, reduced overall levels of productivity and competition on which any successful capitalist economy was based. If the Four-Year Plan was not abandoned, Bosch suggested, Germany would face runaway inflation, stagnating wages, and economic implosion. Unlike the more conservative Goerdeler, Bosch maintained his progressive commitment to state intervention and "social liberal accommodation in the sense of Friedrich Naumann." Both men nonetheless agreed that such doctrinal differences were immaterial in the wake of the Four-Year Plan, which would benefit

[67]Kurlander, *Living With Hitler*, 24–26.

[68]Scholtyseck, *Bosch*, 135–144.

[69]Ibid.; Joachim Scholtyseck, "Robert Bosch. Ein Liberaler im Widerstand gegen Hitler," in *Jahrbuch zur Liberalismus-Forschung*, vol. 15 (2003): 170–172. Indeed, even some historians have begun to note the pro-Labor achievements of the DAF. See Roseman, "National Socialism," 210–211.

[70]Bähr and Banken, eds., *Wirtschaftssteuerung*, 13–14.

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neither labor nor capital if it meant plunging Germany into an unwinnable war.[71] Hence Bosch's antipathy to the Four-Year Plan had less to do with a principled opposition to economic intervention per se and more to do with the regime's goals of accelerated rearmament and an imperialist war of aggression.

Still, more self-consciously imperialist Democrats such as Gertrud Bäumer, Paul Rohrbach, and, in particular, Josef Winschuh viewed the Four-Year Plan as a logical continuation of pursuing interventionist "social capitalism" on the one hand and a Greater German Empire in Mitteleuropa on the other.[72] A leading German economist, publicist, and member of Gustav Stresemann's right liberal German People's Party (DVP) during the middle years of the Weimar Republic, Winschuh joined the DStP in 1930 because he preferred the new party's combination of ardently nationalist and socially liberal views.[73] An early convert to Keynesianism, Winschuh embraced Schacht's interventionist path, even surpassing Bosch, Bäumer, and many Naumannites in his enthusiasm for the Third Reich's mix of organized capitalism and welfarism.[74] In a series of articles in the mid- to late 1930s, Winschuh exalted industrialists with a social conscience, particularly Bosch, who exemplified a new kind of entrepeneur: capable of maintaining productivity through his technical and organizational genius, without sacrificing quality or wages.[75]

Of course the success of Bosch, Alfred Krupp, Fritz Thyssen, and other German industrialists would have been impossible, Winschuh contended, without favorable monetary policies, an unwavering commitment to full employment, proliferating government contracts, and "the socialism of research [and development]." Winschuh singled out the Nazi armaments minister Fritz Todt for his "worker-friendly" policies and praised Hitler as "the social Bismarck." While an increase in state intervention, price controls, and resource allocation had led, admittedly, to a noticeable "shrinking of the private sphere," these changes had simultaneously contributed to "a true economic upswing."[76] Foreign observers might disparage the Four-Year Plan as "state capitalism" on the one hand or "state socialism" on the other, Winschuh continued, but the fact remained that no other major industrial nation had created such a symbiotic corporatist arrangement between the state and entrepeneur, capital, and labor.[77]

[71] Scholtyseck, *Bosch*, 211–218; Sell, *Tragödie*, 436–439; Scholtyseck, "Robert Bosch," 176–178.
[72] Bähr and Banken, eds., *Wirtschaftssteuerung*, 12–13.
[73] Frye, *Democrats*, 164–166, 182.
[74] See article, "Josef Winschuh. Vorkämpfer für ein freies Unternehmertum," in NL Winschuh, BAK: N 1223. #7, 1–3.
[75] Josef Winschuh, *Männer, Traditionen, Signale* (Berlin: Friedrich Osmer, 1940), 106–131.
[76] Ibid., 211–251, 262–332; Josef Winschuh, "Der Aufgabenrahmen des Unternehmers in der staatlichen Wirtschaftslenkung," *Stahl und Eisen* 24, no. 58 (1938): 650–652.
[77] Josef Winschuh, "Die Stimme der Staatssekretäre," Jan. 19, 1941, in NL Winschuh, BAK: N 1223, #7.

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Winschuh was particularly impressed by the expansion of health care, social security, and full employment in the late 1930s. All German citizens were assured health insurance and, with the onset of war, "the German health care system spread throughout Europe . . . guaranteeing foreign laborers fundamentally the same health insurance [*Krankenversicherungsschutz*]" as German workers.[78] German economic policy, Winschuh observed, was premised on the fact "that social security, the emancipation of men from that suffocating anguish that crises of capitalism have produced, is tied to full employment." Again, the lifelong liberal recognized that full employment and social security involved some "incursions into liberty, namely the acceptance of state intervention in the economy and consequently [a regrettable] bureaucratism." But in the age of mass politics, "the organization of the economy can no longer be determined solely by the liberty of the individual person, but . . . by social freedom, by the security of the masses."[79] Only a "worker's party" such as the NSDAP, one that embraced capitalism as well as socialism, could lead its citizens down "a German path that led between the capitalist self-importance of the entrepeneur and socialization, between Detroit and Moscow."[80]

Such cooperation between capital and labor, public and private sector, was especially crucial in times of war, when entrepeneurs had to take even more responsibility for creating jobs and keeping people employed.[81] In fact, Winschuh viewed World War II as a catalyst for propagating National Socialist economic principles abroad. Seemingly oblivious to the atrocities occurring on the eastern front, Winschuh presented the case for a federally organized "Greater German Economic Sphere [*großdeutscher Wirtschaftsraum*]" along lines very similar to Naumann's Mitteleuropa. Germany would act as the "lead state [*Leitstaat*]" and the Reichsmark would serve as the common currency in a central European tariff union. Like Naumann, Winschuh envisioned German and Slavic entrepreneurs working in concert with labor to ensure productivity as well as fair wages and social welfare.[82] Anyone who doubted the inevitability of the German economic model, Winschuh added, need only examine the "socialist" reforms that were occurring in the great "free market" nations of Britain and the United States. The 1942 Beveridge Report and Roosevelt's "War Deal" (Winschuh's sarcastic term for the "New Deal") proved that the Anglo-Saxons had finally accepted the National Socialist idea that long-term

[78]Josef Winschuh, "Unsere Meinung," June 17, 1943, in NL Winschuh, BAK: N 1223, #14.

[79]Josef Winschuh, "Vollbeschäftigung und Freiheit," Sept. 12, 1943, in NL Winschuh, BAK: N 1223, #7.

[80]Josef Winschuh, *Gerüstete Wirtschaft* (Berlin: Frundsberg-Verlag, 1939), 18–27, 70–85, 142–152.

[81]Winschuh, "Unsere Meinung"; Winschuh, *Wirtschaft*, 27, 70–85, 152–157.

[82]Winschuh, *Wirtschaft*, 17–40, 89, 142–146, 240–241; Josef Winschuh, "Schwerpunkt Ost," *Deutsche Tageszeitung*, Nov. 16, 1941; Josef Winschuh, *Das neue wirtschaftliche Weltbild* (Berlin: Albert Limbach, 1941), 38–47.

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productivity and political solidarity were impossible without fair wages and social security. Whatever the war's outcome, Winschuh concluded, the victory of National Socialism as a principle of economic organization was inevitable.[83]

The Ordoliberals and the Foundations of the "Social Market Economy" in the Third Reich

More than any Weimar democrats, the "Ordoliberals" have come to embody the left liberal synthesis of free-market capitalism and state intervention known in the Federal Republic as the "social market economy." Indeed, as Konrad Adenauer's minister of economics and his successor as West German chancellor, the Ordoliberal Ludwig Erhard is almost universally regarded as the chief architect of the FRG's "Economic Miracle."[84] Yet few historians have traced systematically the development of Ordoliberal positions during the Third Reich.[85] One reason for this lacuna is the fact that the Ordoliberals—Walter Eucken, Alfred Müller-Armack, Alexander Rüstow, Wilhelm Röpke, and Erhard most prominent among them—were variously engaged during the 1930s. Some, such as Röpke and Rüstow, worked diligently in exile.[86] Eucken, whose defense of Jewish colleagues at the University of Freiburg did nothing to endear him to the regime, remained academically influential but politically marginal.[87] Still others, such as Ludwig Erhard and Alfred Müller-Armack, flourished politically and

[83]Josef Winschuh, "Die Ansichten Mr. Browns," Jan. 25, 1942; and Josef Winschuh, "War Deal," Aug. 29, 1943; in NL Winschuh, BAK: N 1223, #14; Winschuh, "Vollbeschäftigung und Freiheit"; Josef Winschuh, "Produktive Sozialpolitik,"April 30, 1944, in NL Winschuh, BAK: N 1223, #7.

[84]Pierre Ayçoberry, *The Nazi Question: An Essay on Three Interpretations of National Socialism* (New York: Random House, 1981), 116.

[85]Philip Manow, "Modell Deutschland as an Interdenominational Compromise," The Program for the Study of Germany and Europe Working Papers Series, The Minda de Gunzberg Center for European Studies at Harvard University (Cambridge, MA), http://www.ces.fas.harvard.edu/publications/docs/abs/Manow_abst.html.

[86]See Hans Mommsen, "Der Widerstand gegen Hitler und die deutsche Gesellschaft," in *Der Widerstand gegen den Nationalsozialismus*, ed. Jürgen Schmädeke and Peter Steinbach (Munich: Piper, 1985), 15; Hans Willgerodt and Alan Peacock, "German Liberalism and Economic Revival," in *Germany's Social Market Economy: Origins and Evolution*, ed. Alan Peacock and Hans Willgerodt (Houndmills, Basingstoke, Hampshire: Macmillan for the Trade Policy Research Centre, London, 1989), 2–3; Eberhard Demm, *Geist und Politik im 20. Jahrhundert. Gesammelte Aufsätze zu Alfred Weber* (Frankfurt: Lang, 2000), 255. Röpke and Rüstow's views toward National Socialism were the most critical, but both were also working primarily abroad. See Wilhelm Röpke, *Die Lehre von der Wirtschaft* (Vienna: J. Springer, 1937; and Zurich: E. Rentsch, 1943); Wilhelm Röpke, *The Economics of the Free Society* (Chicago: H. Regnery Co., 1937); and Wilhelm Röpke, *Crises and Cycles* (London: W. Hodge, 1936).

[87]Peter Molt, "Der Beitrag Alfred Webers zur Begründung der Politikwissenschaft in Deutschland," in Demm, *Geist und Politik im 20. Jahrhundert*, 255; Walter Eucken, *This Unsuccessful Age, or The Pains of Economic Progress* (London: William Hodge and Company, 1951), 7–8; Walter Oswalt, *Liberale Opposition gegen den NS-Staat. Zur Entwicklung von Walter Euckens Sozialtheorie*, in *Wirtschaft, Politik und Freiheit. Freiburger Wirtschaftswissenschaftler und der Widerstand*, ed. Nils Goldschmidt (Tübingen: Mohr Siebeck, 2005), 315–353.

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professionally, contributing in concrete ways to the course of German social and economic policy in the Third Reich.[88]

Even if the Ordoliberals did not coalesce into any kind of school until after the war, their most important ideas had matured by the end of the Third Reich.[89] Like their Naumannite colleagues, the Ordoliberals encouraged economic competition, private ownership, and "a certain degree of economic self-reliance." Walter Eucken's list of principles for a well-functioning economy—free and open competitive markets, monetary stability, private ownership of the means of production, and freedom of contract—are in many regards classically liberal. But these preconditions were "supplemented by regulating principles: an antimonopoly policy, some correction of income distribution, and measures to correct substantial market failures." "Ordo-liberals also accept the need for a social security system . . . for dealing with poverty," wrote Eucken, "while stressing the 'social' content of a well-functioning market economy, whose success may be judged in part by the lack of those who need such help."[90] Thus, like Schacht, Bosch, Winschuh, and the Naumannites, the Ordoliberals sought to develop a third way "between capitalism and communism," in their case a "consciously, indeed socially managed market economy."[91] Most importantly for our purposes, they worked out the major components of this model between 1933 and 1945, in concert with Nazi colleagues and Reich institutions.

The Ordoliberal Manifesto, published by Eucken, Franz Boehm, and Hans Grossman-Doerth in 1936, for example, reflects implicit satisfaction with Schacht's Keynesian course. The three authors vigorously rejected state socialism, but simultaneously took issue with the classical liberal position that the integrity of markets cannot be improved through state intervention.[92] Because contemporary economic theory has proven "inadequate in the face of great antimony" between free-market capitalism and state socialism, Eucken observed, "we must question matters in especially radical fashion, analyze the factual situation in a new way, and not simply continue the status quo." Keynes was correct, Eucken continued, in recasting the foundations of classical liberal political economy in the midst

[88]Willgerodt and Peacock, "German Liberalism," 5–6. See also Alfred Müller-Armack, *Staatsidee und Wirtschaftsordnung im Neuen Reich* (Berlin: Junker und Dünnhaupt, 1933); Daniel Dietzfelbinger, *Soziale Marktwirtschaft als Wirtschaftsstil. Alfred Müller-Armacks Lebenswerk* (Gütersloh: Kaiser, Gütersloh, 1998); Rolf Kowitz, *Alfred Müller-Armack: Wirtschaftspolitik als Berufung. Zur Entstehungsgeschichte der Sozialen Marktwirtschaft und dem politischen Wirken des Hochschullehrers* (Cologne: Deutscher Instituts-Verlag, 1998), 199.

[89]Rainer Klump, "Soziale Marktwirtschaft. Geistige Grundlagen, ethischer Anspruch, historische Wurzeln," in *Soziale Marktwirtschaft. Grundlagen, Entwicklungslinien, Perspektiven*, ed. Otto Schlecht and Gerhard Stoltenberg (Freiburg: Herder, 2001), 26–27.

[90]Eucken, *This Unsuccessful Age*, 18; Willgerodt and Peacock, "German Liberalism," 6–10.

[91]Alfred Müller-Armack, *Wirtschaftslenkung und Marktwirtschaft* (Hamburg: Verlag für Wirtschaft und Sozialpolitik, 1947), 88–90.

[92]Franz Bohm, Walter Eucken, and Hans Grossmann-Doerth, "The Ordo Manifesto of 1936," in *Germany's Social Market Economy*, ed. Peacock and Willgerodt, 17–24.

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of the Great Depression.[93] Writing in 1938, Eucken looked back positively on Schacht's economic policy, observing that only the state could simultaneously ensure competition, growth, and social equity.[94] "Like Röpke, [Franz] Oppenheimer, and indeed Erhard," writes Erhard's biographer Alfred Mierzejewski, "Eucken rejected both unbridled capitalism and collectivism. Eucken, Oppenheimer, Röpke, and Erhard did not visualize a small, weak, passive government . . . Government supervision was necessary to prevent abuse by powerful private interests."[95]

Although less influential than Eucken in theoretical terms, Ludwig Erhard was more politically engaged in shaping a "third way" in the Third Reich.[96] Prior to the Nazi seizure of power, Erhard, like Eucken, inclined toward laissez-faire policies and famously criticized Schacht for relinquishing his liberal principles in an effort to placate Hitler.[97] Within two years of the October 1929 crash, however, Erhard had started to view the Great Depression as the "unavoidable result of the capitalist system." Doctrinaire adherence to laissez-faire capitalism, Erhard concluded, "was incompatible with social harmony and national political necessities."[98] More specifically, Erhard believed that the Depression was a result of "excessive concentration of capital in heavy industry" to the detriment of "industries that would produce consumer goods." His solution, as expressed as early as 1931, was to tax heavy industry and "redistribute the funds to industries that would use them to serve consumer needs more directly." In this way "Erhard hoped to prevent the application of an extreme solution from either the right or the left. In advocating a policy that anticipated the suggestions of Keynes, it should be borne in mind that he, like Keynes, hoped to preserve capitalism, though in modified form."[99]

In following this Keynesian trajectory, Erhard's career took off during the first five years of the Third Reich. He quickly rose to the top of the Vershofen Institute, an economic think tank that gained considerable prestige in the wake

[93]Walter Eucken, *Nationalökonomie—wozu* (Leipzig: Felix Meiner, 1938), 11–12, 26–35.

[94]Walter Eucken, *Die Grundlagen der Nationalökonomie* (Jena: Gustav Fischer, 1944), VII–IX, 1–2, 38–43, 49–50.

[95]Alfred C. Mierzejewski, *Ludwig Erhard: A Biography* (Chapel Hill, NC: University of North Carolina Press, 2004), xiii; Wilga Föste, *Grundwerte in der Ordnungskonzeption der Sozialen Marktwirtschaft* (Marburg: Metropolis, 2006), 12–13.

[96]Hentschel, *Politikerleben*, 15–17. "Oppenheimers Vision—die Erhard trotz unterschiedlicher Akzentsetzung nachhältig beeindruckte—war ein 'Dritter Weg' zwischen den beiden extremen Positionen, den er in der Form eines 'liberalen Sozialismus' zu entwickeln versuchte." Quote in Klump, "Soziale Marktwirtschaft," 39.

[97]Hentschel, *Politikerleben*, 19–21.

[98]Volker Hentschel, *Ludwig Erhard, die "soziale Marktwirtschaft" und das Wirtschaftswunder. Historisches Lehrstück oder Mythos* (Bonn: Bouvier, 1998), 13–14; Mierzejewski, *Erhard*, xiii.

[99]In another article published late in 1932, he emphasized, "providing short-term credits and pay subsidies to consumer goods industries to stimulate production of goods that the mass of the people would be eager to buy. This would get the economy rolling again." Mierzejewski, *Erhard*, 13–14.

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of the Nazi seizure of power. In 1938, the institute was given its independence from the German university system to help the Third Reich reconceptualize the economic basis of a "greater German [economic] sphere." Chastened by the effects of the Great Depression, Erhard argued that "that the state must not only organize the economy, but also intervene; or to put it another way, socio-economic organization and state intervention are conceptually one and the same."[100] "Erhard had no desire to stage a laissez-faire free-for-all," adds Mierzejewski, "but he also wanted to move decisively away from any form of collectivist solution . . . [writing] 'Never again will the state be restricted to the role of night watchman because even a free market economy, and especially this, needs an organ for setting and overseeing the observance of rules.'"[101] In this regard, Erhard appreciated the NSDAP's apparent desire to rescue the working and lower-middle classes from the mass homogenization (*Vermassung*) and proletarianization (*Proletarisierung*) that characterized an advanced industrial economy.[102]

Still, the future architect of West Germany's "economic miracle" never relinquished his conviction that market forces and consumer choice were the foundations of national economic life.[103] Like Bosch, Schacht, and other prominent liberal business leaders, Erhard was skeptical of the Four-Year Plan and became openly critical of German economic policy in the wake of World War II, which had come to abandon market price mechanisms and the consumer sector in favor of centralized allocation of resources and heavy industrial special interests.[104] In fact, Goerdeler and other conservative members of the Kreisau Circle sought to recruit Erhard in large part due to his openly critical attitude toward wartime inflation and price controls. Lest we confuse this critique of wartime economic policy with political opposition, we should recall that Erhard's iconoclastic views impressed leading Nazis who were equally skeptical of "National Bolshevist" tendencies within the party leadership. In 1939 the rabidly anti-Semitic Gauleiter of the Rhineland-Palatinate, Josef Bürckel,

[100]Hentschel, *Politikerleben*, 24–26.

[101]Mierzejewski, *Erhard*, 20–22. Franz Böhm and the "Ordoliberalen distanzieren sich vom klassischen Liberalismus und dem ihm innewohnenden Laissez-faire-Gedanken. Ihrer ablehnenden Haltung verleihen sie sprachlich Ausdruck, indem sie den klassischen Liberalismus—nicht ohne kritischen Unterton—als Paläo-Liberalismus oder Laissez-faire-Liberalismus bezeichnen . . . Die Ordoliberalen treten daher—in Abkehr von der Wirtschaftspolitik des Laissez-faire—für eine vergleichsweise aktivere Rolle des Staates ein," which does not mean the accepted "einen sogenannten dritten Weg zwischen Liberalismus und Sozialismus" but a market order guaranteed by the state. Quote in Tamara Zieschang, *Das Staatsbild Franz Böhms* (Stuttgart: Lucius & Lucius, 2003), 10–13, 224–226.

[102]See David Meskill, "Conditions of Liberty," paper presented at the 2004 German Studies Association Conference, Washington, D.C. On the Ordoliberal fear of collectivization and proletarianization, see, in particular, Wilhelm Röpke, *The Social Crisis of Our Time* (Chicago: University of Chicago Press, 1950); and Eucken, *This Unsuccessful Age*, 9.

[103]Hentschel, *Politikerleben*, 26.

[104]Volker R. Berghahn, *The Americanisation of West German Industry, 1945–1973* (Leamington Spa and New York: Berg, 1986), 158–159.

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invited Erhard to become his informal economic advisor, an offer Erhard accepted. After parting ways with the Vershofen Institute in 1942, Erhard joined the influential *Reichsgruppe Industrie* (RGI), a political lobby run by his brother-in-law Karl Guth, the prominent industrialist Rudolf Stahl, and tobacco magnate Philip Reemtsma. He simultaneously accepted a prestigious position as consultant for I.G. Farben.[105]

Then, in 1944, Erhard published his most famous and provocative academic work, *War Finances and Debt Consolidation* (*Kriegsfinanzierung und Schuldenkonsolidierung*). All but presuming that Germany would lose the war, *War Finances* began by attacking Minister of Armaments Albert Speer's statist production techniques. It then specifically recommended issuing bonds to the worst-hit citizens to provide disposable income and diverting demobilized soldiers into the consumer sector instead of armaments. Far from marginalizing Erhard, the book caught the attention of Deputy Director of the Reich Economics Ministry, SS-Gruppenführer and infamous commander of *Einsatzgruppe D*, Otto Ohlendorf. Agreeing that the war was lost and that the German economy had moved too far from its free-market foundations, Ohlendorf enlisted Erhard in a working group aimed at rebuilding the postwar economy on a more entrepreneurial basis.[106]

Erhard was not the only Ordoliberal whose ideas were embraced by leading Nazis. After the fall of France in 1940, in the expectation that the war would soon be over, Economics Minister Walther Funk founded an institute "For Research on the Völkisch Economy" to provide "advice" for restoring a peacetime economy to the Reich Economics Ministry. Eucken's *Grundlagen* "stood in the center of the discussion" and became "the point of departure for the discussion of the foundation and conceptions of a new German economic theory."[107] Promoted to professor in 1940, Müller-Armack soon became the director of the Westphalian Institute for Economics and Social Sciences. His ideas gained additional influence through his ranking position in the Research Institute for General and Textile Market Economy (*Forschungsstelle für Allgemeine und Textile Marktwirtschaft*).[108]

One can draw a number of interesting conclusions about the impact of the Ordoliberals during the Third Reich. First, their views clearly fall into the "progressive" tradition of German left liberalism. While they valued freedom highly, the Ordoliberals insisted that the state had a moral obligation to encourage fair competition, ensure social justice, and provide a basic level of public welfare

[105]Mierzejewski, *Erhard*, 16–19; Hentschel, *Politikerleben*, 26–28; Klump, "Soziale Marktwirtschaft," 47.

[106]Hentschel, *Politikerleben*, 28–35; Ludwig Erhard, *Kriegsfinanzierung und Schuldenkonsolidierung* (Frankfurt am Main: Propyläen, 1977).

[107]Klump, "Soziale Marktwirtschaft," 45–46; Willgerodt and Peacock, "German Liberalism," 5–6.

[108]Klump, "Soziale Marktwirtschaft," 47; Willgerodt and Peacock, "German Liberalism," 5–6.

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for all citizens along Naumannite lines.[109] Second, they were clearly active and influential throughout the Third Reich, "collaborating" with the Nazi regime on numerous aspects of social and economic policy. Third, they understood the interventions undertaken by the Nazi regime as a logical response to the rampant economic dislocation and proletarianization of the Great Depression as well as the Weimar Republic's failure to deal effectively with endemic problems of deflation and overproduction. That is, even while they remained skeptical of Hitler or Göring's political motivations, they tended to acknowledge that Schacht's essentially pragmatic approach to economic policy helped to preserve the balance between state intervention and social outlays on the one hand and individual initiative and market mechanisms on the other—at least until Speer's more autocratic regime of armaments production asserted an unfortunate level of centralized planning and state intervention midway through World War II.[110]

Thus, as Rüstow suggested in his seminal 1945 book, *The Failure of Economic Liberalism*, both peacetime National Socialism and Ordoliberalism were attempts to navigate "between capitalism and communism" in order to find "the political economy of the third way."[111] "It must, in fact, be remembered," Röpke recalled in the early 1960s, "that the [social] market economy in Germany, whose revival has proved to be a great blessing, was not a legitimate child of democracy . . . It was rather an illegitimate child which was adopted only later on, after ever increasing signs of affection, by the German democracy."[112] Unlike Schacht, Bäumer, and other prominent Weimar DDP members, the Ordoliberals easily shrugged off their loose associations with the Nazi regime to become enormously influential during the early years of the Federal Republic. The fact remains, however, that Erhard and his colleagues had already begun "advocating a middle way" in the

[109] "So gesehen gelang es mit der Sozialen Marktwirtschaft, eine Ordnung zu begründen, in der zwar das Leistungsprinzip und der Wettbewerb herrschen, in der aber der Mensch—wie es Ludwig Erhard ausdrückte—vor 'gnadenlose Ausbeutung' Schutz findet.… In der Zeit des ideologischen Weltgegensatztes entfaltete sich die Soziale Marktwirtschaft zur Gegenkonzeption von staatlichem Dirigismus und privatwirtschaftlichem Macht-missbrauch und zeigte ihre besondere Stärke durch die integrativen, ja friedensstiftenden Wirkungen." Schlecht and Stoltenberg, eds., *Soziale Marktwirtschaft*, 13–14.

[110] As Ralf Banken argues, Nazi economic policy followed "keinem Konzept oder Plan, sondern ergab sich schleichend aus einzelnen Maßnahmen, was auch die Mitarbeit der weiter konkurrierenden Unternehmen erklärt.… So lange wie möglich hielten die staatlichen Stellen an der marktwirtschaftlichen Verfassung der Wirtschaftbereiche fest, engten diese jedoch bei Engpässen pragmatisch immer weiter ein und waren auch bereit, sie zugunsten einer vollständigen Bewirtschaftung unter staatlicher Kontrolle ganz aufzugeben, um ihre politischen Ziele durchzusetzen." Ralf Banken, *Edelmetallmangel und Großraubwirtschaft. Die Entwicklung des deutschen Edelmetallsektors im "Dritten Reich" 1933–1945* (Berlin: Akademie Verlag, 2009), 845–847.

[111] Eucken, *This Unsuccessful Age*, 64–73. See also Ludwig Erhard, *Prosperity through Competition* (New York: Frederick A. Praeger, 1958); Alexander Rüstow, *Das Versagen des Wirtschaftsliberalismus* (Marburg: Metropolis, 2001), 11–12, 280–281.

[112] Wilhelm Röpke, "Education in Economic Liberty," in *What is Conservatism?*, ed. Frank S. Meyer (New York: Holt, Rinehart, and Winston, 1964), 80–81.

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Third Reich, "the same solution that he would prescribe in a more sophisticated and purer form in 1948 . . . a policy of stimulating consumer demand in line with what was later proposed by John Maynard Keynes."[113]

Conclusion

Discussing the industrial giant I. G. Farben's responses to National Socialism, Peter Hayes has argued that "Ambition, achievement, and the avoidance of punishment were guiding elements in the behavior of the men who ran IG Farben, but so was professionalism. It insulated them from their actions; more than that, it transmogrified in their eyes the ethics of their deeds. Faced with the political and economic conditions they had little role in creating, Farben's leaders acted as they thought their calling required."[114] While this assessment applies to our protagonists as well, we cannot ignore the remarkable degree of critical intellectual engagement and political agency that liberals enjoyed after 1933. Nor should we overlook the longer-term convergence between left liberal and Nazi political economy. Well before the Nazi *Machtergreifung*, Schacht had begun to rethink his laissez-faire principles, eventually arriving at a more Keynesian approach in an attempt to reinvigorate the German economy after the Great Depression. Conversely, the socially progressive Bosch immediately recognized and supported many welfarist aspects of Nazi-era capitalism, rationalizing, if only temporarily, the loss of numerous political freedoms in the process. The more ardently imperialist Winschuh went the furthest of the three in embracing the Four-Year Plan and attempting to justify the excessive regulation of wartime Germany as a function of "social capitalism."[115] Yet these liberal attempts to weave a conceptual path between laissez-faire capitalism and socialism in the Third Reich are perhaps best reflected in the work of the "Ordoliberals," who not coincidentally contributed more directly than their DDP colleagues in establishing the economic underpinnings of the postwar Federal Republic.

We should not confuse the emerging liberal consensus on matters of political economy with complicity in other areas, just as Otto Ohlendorf and Josef Bürckel's support of "liberal" economic policies does nothing to mitigate their direct involvement in police terror or genocide.[116] If Schacht's New Plan

[113]Mierzejewski, *Erhard*, 13–14. According to David Meskill, this line of argument extended back to the Weimar Republic, "across the Prussian Ministry of Trade and the Labor Administration in the 1920s and 1930s to the Ordoliberals and, through them, to the FRG's *Soziale Marktwirtschaft*." David Meskill, "Conditions of Liberty"; Willgerodt and Peacock, "German Liberalism," 2–3. See also Anthony Nicholls, *Freedom with Responsibility: The Social Market Economy in Germany, 1918–1963* (Oxford: Clarendon, 1994).

[114]Hayes, *Industry and Ideology*, 381.

[115]Heuss, *Friedrich Naumann*, 408.

[116]Michael Thad Allen, *The Business of Genocide: The SS, Slave Labor, and the Concentration Camps* (Chapel Hill, NC, and London: University of North Carolina Press, 2002).

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seemed to provide common ground on which Democrats could accommodate themselves to the Third Reich, the Four-Year Plan's favoritism toward armaments and heavy industrial production over wages, social welfare, and the consumer sector convinced many liberals that the prospects of working out a long-term socioeconomic compromise with National Socialism were diminishing.[117] Even as Germany approached full employment in 1937, Hans Robinsohn prophesied that the economy would begin to suffer from the regime's unwillingness to negotiate higher wages for workers or reenter the world market to keep down consumer prices.[118] Such fears were borne out over the course of the next eighteen months, as bourgeois (liberal) critics were replaced in the higher ranks of the government, army, and civil service. Indeed, in the wake of Schacht's dismissal, Himmler's Security Chief Reinhard Heydrich noted with some trepidation the palpable displeasure among liberals, who continued to play so great a role in industry, intellectual life, and economic administration.[119] Importantly, then, most liberals who supported Nazi economic policy under Schacht gradually abandoned it during the Four-Year Plan, at the moment that imperialist ideological motives and disproportionate emphasis on capital goods began to replace a more market-based, consumer-oriented, socially liberal arrangement.[120]

The outbreak of war and Germany's impressive early victories did briefly dispel some liberal concerns. After all, the Four-Year Plan appeared to have provided the economic sinews for remarkably successful offensives against Poland, France, and the Soviet Union, which significantly expanded Germany's internal market in central Europe. As Winschuh observed in 1943, all major industrial democracies had abandoned classical liberal principles and invested disproportionately in armaments over the course of the previous decade. But these short-term concessions to military realities, it must be emphasized, were contingent on the belief that the Third Reich would return to more liberal economic policies as soon as the war was won.[121] These hopes were dashed in the wake of Stalingrad, not only due to the increasingly totalitarian regime of economic organization and slave labor under Speer, but also the fact that the escalating

[117] "Die Schwelle zum konservativen Widerstand wurde 1936/37 überschritten, nachdem alle Hoffnungen auf ein 'Abwirtschaften' des Nationalsozialismus geschwunden waren und die wirtschaftlichen Zeichen auf einen Krieg deuteten." Scholtyseck, "Robert Bosch," 176.

[118] See Robinsohn report [1937] in Sassin, *Liberale im Widerstand*, 280–281, 285–286, 290.

[119] See SD Quarterly Report (1939), vol. 1, 44–45, in BAB: R 58, #717.

[120] See Timothy S. Mason, "Internal Crisis and War of Aggression," in Mason, *Nazism, Fascism, and the Working Class*, ed. Caplan, 104–130; Aly, *Hitlers Volksstaat*, 346–362; Tooze, *Ökonomie*, 325–427, 745–765; Robinsohn, *Denkschrift* [May 1939], as quoted in Sassin, *Liberale im Widerstand*, 336–342; Bähr and Banken, eds., *Wirtschaftssteuerung*, 15–16.

[121] See, for example, Michael Schneider, "Rüstung, 'Arisierung,' Expansion. Wirtschaft und Unternehmen," in *Das "Dritte Reich." Eine Einführung*, ed. Dietmar and Winfried Süß (Munich: Pantheon, 2008), 188–190.

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devastation of the German economy and society would soon render any postwar plans for Germany's immediate reintegration into world markets moot.

Nevertheless, the initial continuities between liberal and Nazi political economy suggest that Weimar liberalism was neither as obsolete nor National Socialism as socially and economically aberrant as some historians have contended.[122] The Nazis themselves had achieved no coherent economic vision when they assumed power, but they *did* tend to represent the same constituencies that traditionally supported German liberalism. For this reason it comes as no surprise that the Third Reich might pursue measures—seeking full employment and expanding social welfare while preserving elements of a free market; attempting to defend the interests of small businessmen and farmers; investing in technology, chemicals, and synthetics; integrating labor and capital, men and women into the national community; expanding German political and economic influence across central Europe—that had already been articulated by the National-Social wing of German liberalism in the Kaiserreich and pursued vigorously by many left liberals in the aftermath of World War I. Certainly the Third Reich never consciously or consistently *embraced* liberal ideas. Most Nazis were socially and economically "liberal" by responsibility, not conviction. That does not mean the Nazi Sozialstaat was merely a cynical attempt to buy off the German population in the pursuit of war.[123] Rather, the Nazi welfare state resulted from a combination of völkisch-social principle and political pragmatism, what Adam Tooze calls an "ideological-pragmatic synthesis."[124]

Regardless of the Nazis' complex motivations, the Third Reich clearly promoted a number of policies that many Naumannite left liberals articulated before World War I, that bitterly divided the Democratic Party during the 1920s, and that nonetheless provided the foundation for a new social liberal consensus after 1930. Thus, in many ways in spite of itself, the Third Reich provided a space for—and in some ways even encouraged—German liberals to work out a "third way" between laissez-faire capitalism and state socialism, a laboratory, as Rüstow and Röpke suggest, for developing the political and intellectual underpinnings of West Germany's "Social Market Economy." Although the postwar legacies of this emerging left liberal consensus remain obscured by the *Nullpunkt* of 1945, the Nazi period may have consequently represented the

[122]Roseman, "National Socialism," 209–212. The Third Reich "achieved nothing original … [its] Economic reforms … relied on concepts from the period before 1933 … Despite undeniable lines of continuity, the foundations of the Federal Republic in the sphere of economic policy were laid not during the NS-dicatorship but in the Weimar epoch and moreover even already during the *Kaiserreich*." Bähr and Banken, eds., *Wirtschaftssteuerung*, 7–10, 20–23; Depkat, *Lebenswenden und Zeitenwenden*, 38–39.

[123]Aly, *Hitler's Beneficiaries*.

[124]See Adam Tooze, "The Economic History of the Nazi Regime," in *Nazi Germany*, ed. Jane Caplan (Oxford: Oxford University Press, 2008).

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closest German liberalism had come to negotiating a path between "Detroit and Moscow," a progressive approach to political economy "originating in the *Kaiserreich* [and] . . . stretching, across the Nazi era, into the *Bundesrepublik*."[125]

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[125]Meskill, "Conditions of Liberty," Paper Presented at the German Studies Association Conference, Washington, D.C., (2004); Bähr and Banken, eds., *Wirtschaftssteuerung*, 13–14.

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